

“(1) IN GENERAL.—The qualified heir of any qualified farmland shall file an information return (at such time and in such form and manner as the Secretary prescribes) for each calendar year.

“(2) CONTENTS OF RETURN.—The information return required under paragraph (1) shall set forth any disposition of any interest in such farmland or any cessation of use of such farmland as a farm for farming purposes and such other information as the Secretary may require.

“(e) IMPOSITION OF RECAPTURE TAX.—

“(1) IN GENERAL.—If—

“(A) at any time after the decedent's death and before the death of the qualified heir—

“(i) the qualified heir disposes of any interest in qualified farmland (other than by a disposition to a member of the qualified heir's family),

“(ii) the qualified heir or member ceases to use the qualified farmland as a farm for farming purposes,

“(iii) the qualified heir or member incurs a nonrecourse indebtedness secured in whole or in part by a portion of the qualified farmland, or

“(iv) the qualified heir or member fails to file the information return with respect to the qualified farmland required under subsection (d) for 3 successive calendar years, or

“(B) upon the death of the qualified heir or member, the executor of the estate of such heir or member does not elect the application of this section with respect to the qualified farmland,

then, there is hereby imposed a recapture tax with respect to such qualified farmland or such interest in or portion of such qualified farmland.

“(2) APPLICATION OF RECAPTURE TAX TO EARLIER GENERATIONS.—Upon the imposition of a recapture tax under paragraph (1) with respect to such qualified farmland or such interest in or portion of such qualified farmland, there is also imposed an aggregate amount of any recapture tax which would have been determined under this subsection with respect to such farmland, interest, or portion if the such tax had been imposed and paid on the date of death of the decedent and on the date of death of any qualified heir (or member) of such farmland, interest, or portion in any intervening generation.

“(3) AMOUNT OF RECAPTURE TAX, ETC.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), rules similar to the rules of section 2032A(c) (other than paragraphs (1) and (2)(E) thereof) with respect to the additional estate tax shall apply for purposes of this subsection with respect to each recapture tax.

“(B) ADJUSTMENTS TO RECAPTURE TAX.—

“(i) ADJUSTMENT TO REFLECT INCREASE IN VALUE OF INTEREST.—Subject to clause (ii), the amount of the recapture tax otherwise determined under rules described in subparagraph (A) shall be increased by the percentage (if any) by which the value of the interest in the qualified farmland at the time of the imposition of such tax is greater than the adjusted value of such farmland at the time such farmland would have been included in the estate if no election under this section had been made.

“(ii) ADJUSTMENTS TO VALUE OF INTEREST AT TIME OF TAX IMPOSITION.—For purposes of determining the value of the interest in the qualified farmland at the time of the imposition of such tax, such value shall be reduced (under rules prescribed by the Secretary) by—

“(I) the basis of any substantial improvements made with respect to such interest by the qualified heir or member, and

“(II) the aggregate amount of any recapture tax imposed under paragraph (2).

“(f) APPLICATION OF OTHER RULES.—Rules similar to the rules of subsections (d), (e) (other than paragraphs (6) and (13) thereof), (f), (g), (h), and (i) of section 2032A shall apply for purposes of this section.

“(g) REGULATIONS.—The Secretary may issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including the application of this section in the case of multiple interests in qualified farmland, and to prevent fraud and abuse under this section.”

(b) BASIS OF QUALIFIED FARMLAND FOR PURPOSES OF DEPRECIATION OR DEPLETION BY QUALIFIED HEIR.—Section 1014 is amended by adding at the end the following new subsection:

“(f) BASIS OF QUALIFIED FARMLAND FOR PURPOSES OF DEPRECIATION OR DEPLETION BY QUALIFIED HEIR.—For purposes of the allowance to any qualified heir of any depreciation or depletion deduction with respect to any interest in property acquired from a decedent and subject to an election under section 2033A, the basis of such property in the hands of such qualified heir (or member of the qualified heir's family after a disposition described in section 2033A(e)(1)(A)(i)) shall be the adjusted basis of such property in the hands of the decedent immediately before the death of such decedent.”

(c) PENALTY FOR FAILURE TO FILE ANNUAL INFORMATION RETURN.—Section 6652 is amended by redesignating subsection (m) as subsection (n) and by adding at the end the following new subsection:

“(m) FAILURE TO FILE ANNUAL INFORMATION RETURN.—In the case of each failure to provide an information return as required under section 2033A(d) at the time prescribed therefor, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid, on notice and demand of the Secretary and in the same manner as tax, by the person failing to provide such return, an amount equal to \$250 for each such failure.”

(d) WOODLANDS SUBJECT TO MANAGEMENT PLAN.—Paragraph (2) of section 2032A(c) is amended by adding at the end the following new subparagraph:

“(F) EXCEPTION FOR WOODLANDS SUBJECT TO FOREST STEWARDSHIP PLAN.—

“(i) IN GENERAL.—Subparagraph (E) shall not apply to any disposition or severance of standing timber on a qualified woodland that is made pursuant to a forest stewardship plan developed under the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2103a) or an equivalent plan approved by the State Forester.

“(ii) COMPLIANCE WITH FOREST STEWARDSHIP PLAN.—Clause (i) shall not apply if, during the 10-year period under paragraph (1), the qualified heir fails to comply with such forest stewardship plan or equivalent plan.”

(e) CERTAIN CONSERVATION TRANSACTIONS NOT TREATED AS DISPOSITIONS.—Paragraph (8) of section 2032A(c) is amended to read as follows:

“(8) CERTAIN CONSERVATION TRANSACTIONS NOT TREATED AS DISPOSITIONS.—

“(A) QUALIFIED CONSERVATION CONTRIBUTIONS.—A qualified conservation contribution by gift or otherwise shall not be deemed a disposition under subsection (c)(1)(A).

“(B) QUALIFIED CONSERVATION EASEMENT SOLD TO QUALIFIED ORGANIZATION.—A sale of a qualified conservation easement to a qualified organization shall not be deemed a disposition under subsection (c)(1)(A).

“(C) DEFINITIONS.—For purposes of this paragraph—

“(i) the terms ‘qualified conservation contribution’ and ‘qualified organization’ have the meanings given such terms by section 170(h), and

“(ii) the term ‘qualified conservation easement’ has the meaning given such term by section 2031(c)(8).”

(f) CLERICAL AMENDMENT.—The table of sections for part III of subchapter A of chapter 11 is amended by inserting after the item relating to section 2033 the following new item:

“Sec. 2033A. Exclusion of certain farmland so long as use as farmland continues.”

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after the date of the enactment of this Act.

SEC. 306. INCREASE IN LIMITATIONS ON THE AMOUNT EXCLUDED FROM THE GROSS ESTATE WITH RESPECT TO LAND SUBJECT TO A QUALIFIED CONSERVATION EASEMENT.

(a) INCREASE IN DOLLAR LIMITATION ON EXCLUSION.—Paragraph (3) of section 2031(c) is amended by striking “the exclusion limitation is” and all that follows and inserting “the exclusion limitation is \$5,000,000.”

(b) INCREASE IN PERCENTAGE OF VALUE OF LAND WHICH IS EXCLUDABLE.—Paragraph (2) of section 2031(c) is amended—

(1) by striking “40 percent” and inserting “50 percent”, and

(2) by striking “2 percentage points” and inserting “2.5 percentage points”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to the estates of decedents dying after the date of the enactment of this Act.

SEC. 307. MODIFICATION OF RULES FOR VALUE OF CERTAIN FARM, ETC., REAL PROPERTY.

(a) IN GENERAL.—Paragraph (2) of section 2032A(a) is amended by striking “\$750,000” and inserting “\$3,500,000”.

(b) INFLATION ADJUSTMENT.—Paragraph (3) of section 2032A(a) is amended—

(1) by striking “1998” and inserting “2010”,

(2) by striking “\$750,000” and inserting “\$3,500,000” in subparagraph (A), and

(3) by striking “calendar year 1997” and inserting “calendar year 2009” in subparagraph (B).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2009.

SEC. 308. REQUIRED MINIMUM 10-YEAR TERM, ETC., FOR GRANTOR RETAINED ANNUITY TRUSTS.

(a) IN GENERAL.—Subsection (b) of section 2702 is amended—

(1) by redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively, and by moving such subparagraphs (as so redesignated) 2 ems to the right;

(2) by striking “For purposes of” and inserting the following:

“(1) IN GENERAL.—For purposes of”;

(3) by striking “paragraph (1) or (2)” in paragraph (1)(C) (as so redesignated) and inserting “subparagraph (A) or (B)”; and

(4) by adding at the end the following new paragraph:

“(2) ADDITIONAL REQUIREMENTS WITH RESPECT TO GRANTOR RETAINED ANNUITIES.—For purposes of subsection (a), in the case of an interest described in paragraph (1)(A) (determined without regard to this paragraph) which is retained by the transferor, such interest shall be treated as described in such paragraph only if—

“(A) the right to receive the fixed amounts referred to in such paragraph is for a term of not less than 10 years,

“(B) such fixed amounts, when determined on an annual basis, do not decrease relative to any prior year during the first 10 years of the term referred to in subparagraph (A), and

“(C) the remainder interest has a value greater than zero determined as of the time of the transfer.”